

MONTHLY REVENUE REPORT

July 2006

Michigan's major General Fund and School Aid Fund earmarked taxes generated \$1.72 billion in July, representing an increase of 13.0% from the year-ago level. A strong increase was expected in July due to some noneconomic factors that shifted collections into July for the sales, use, income, and single business taxes. Adjusting for these shifts in the timing of collections, tax receipts were up in July about 4.0%. The gains realized in July due to shifts in the timing of collections will be offset in August. In addition to the increases posted by the sales, use, income, and single business taxes, there were increased tax collections in July for the insurance, State education, casino, and severance taxes. Fiscal year tax collections through July, representing the first three quarters of FY 2005-06, are up 2.0%. This rate of growth is slightly above the 1.7% increase estimated for FY 2005-06 at the May Consensus Revenue Estimating Conference; however, after adjusting for the increase in July's tax collections due to timing shifts, it appears that tax collections are essentially on target with the consensus estimate.

Net income tax revenue totaled \$565.4 million in July, which was up 13.2% from last year's level. This sharp increase was due to a boost in gross collections and a decline in refunds paid to taxpayers. Gross collections (withholding, quarterly, and annual payments) were up 10.0% in July. Almost all of this increase was due to a 10.3% increase in income tax withholding payments, which largely reflects a shift in the timing of collections compared with last year's pattern. This shift in the timing of income tax withholding payments will have a negative impact on August collections. In addition to this jump in gross collections, there was an increased net income tax collections in July because the amount of income tax payments refunded to taxpayers declined 35.9% to \$21.8 million. On a fiscal year-to-date basis, income tax collections are up 3.9%.

Sales tax receipts totaled \$586.9 million in July, which was up markedly from the \$548.8 million collected last year. This increase represents a gain of 6.9%; however, much of this increase was due to a shift in the timing of collections. When a month ends on a weekend, some sales tax collections that would otherwise be collected in that month are not received and processed until the following month. Last year, July ended on a weekend, so sales tax collections were smaller than they otherwise would have been. This year, July did not end on a weekend, so compared with last year's collections a fairly strong gain was posted. So far this fiscal year, sales tax collections are up 1.3%, which still lags behind the consensus estimated growth rate for FY 2005-06 of 1.7%.

Single business tax revenue posted a gain of 39.6% in July to \$231.3 million. This surge in single business tax collections unfortunately does not reflect economic activity, but is rather a reflection of the volatile nature of monthly single business tax receipts. A quarterly payment is due on July 31st, and the collections from this quarterly payment come in during the last part of July and the first part of August. The distribution of these payments between July and August often varies significantly from year-to-year. Given the strong increase in July, it appears that more of the quarterly payment revenue was received in July this year compared with last year. It is expected that August single business tax collections will be down from last year's level and therefore will offset a good share of the gain in July. On a fiscal year-to-date basis, single business tax collections are up 7.2%.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for July 2006, along with their fiscal year-to-date collections and growth rates. Also presented are the consensus revenue estimates for FY 2005-06, which were adopted at the May 2006 Consensus Revenue Estimating Conference.



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MICHIGAN REVENUE UPDATE

JULY 2006

(dollars in millions)

Type of Revenue	July Collections		FY 2005-06 to Date ²⁾		FY 2005-06 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2004-05
Gross Income Tax	\$587.2	10.0%	\$6,077.5	2.9%	\$7,933.7	2.8%
Refunds	(21.8)	(35.9)	(1,564.2)	0.1	(\$1,679.0)	4.2
Net Income Tax	565.4	13.2	4,513.3	3.9	6,254.7	2.4
Sales Tax	586.9	6.9	4,964.0	1.3	6,709.6	1.7
Motor Vehicles	76.0	(5.8)	528.7	(11.0)	---	---
All Other Sales Tax	510.9	9.1	4,435.3	3.0	---	---
Use Tax	122.4	14.5	1,038.6	0.9	1,411.6	0.7
Tobacco Taxes	108.1	(3.0)	863.9	1.0	1,179.5	0.0
Single Business Tax	231.3	39.6	1,476.3	7.2	1,852.9	(3.2)
Insurance Tax	28.4	8.0	167.9	(6.4)	235.0	(5.8)
State Education Property Tax	31.9	104.5	489.1	0.1	2,010.0	5.0
Real Estate Transfer Tax	25.4	(11.2)	228.8	0.3	320.0	2.1
Estate/Inheritance Tax	0.2	(92.0)	0.3	(98.8)	1.0	(99.0)
Casino Wagering Tax ⁴⁾	13.3	2.3	129.1	5.9	152.4	4.5
Oil & Gas Severance Tax	6.2	77.1	67.5	35.3	94.0	40.9
Total	\$1,719.5	13.0%	\$13,938.8	2.0%	\$20,220.7	1.1%
Addendum:						
Gross Lottery Sales ⁴⁾	\$150.9	(19.8)%	\$1,855.7	7.1%	\$2,223.8	8.7%
Net to School Aid Fund ⁴⁾	42.6	(31.2)%	\$ 574.5	5.4%	\$ 708.5	6.1%

1) Total collections are unadjusted cash collections unless otherwise noted.

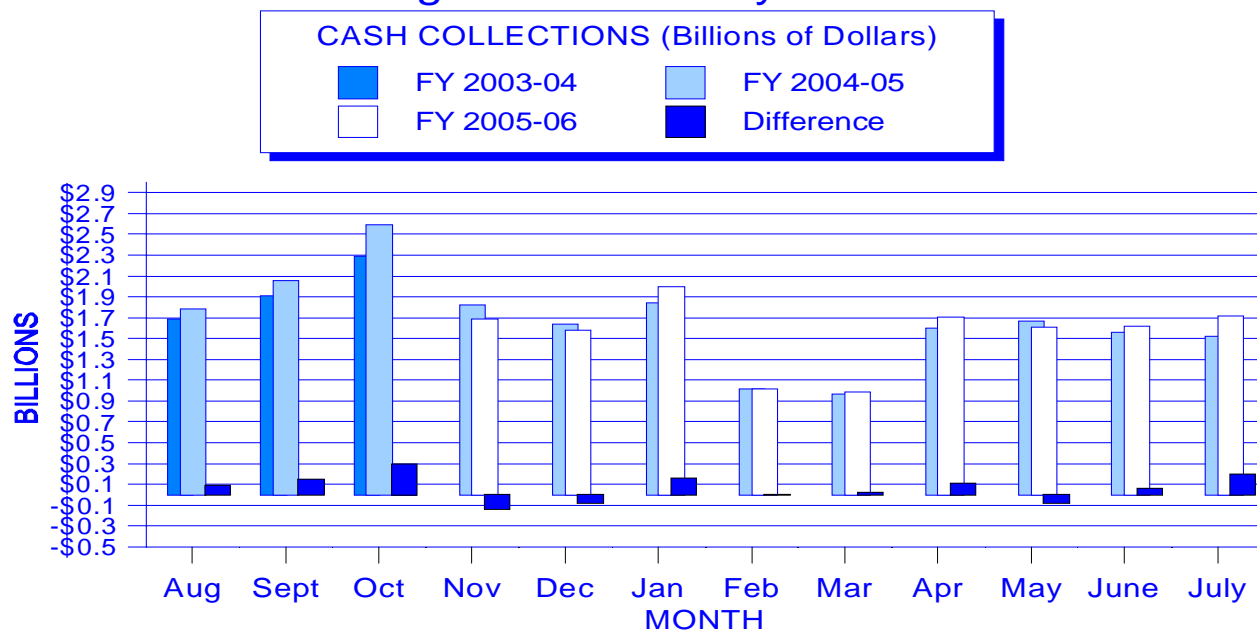
2) FY 2005-06 year-to-date collections begin with November 2005 collections to reflect accrual accounting.

3) Consensus revenue estimates adopted at the May 17, 2006, Consensus Revenue Estimating Conference.

4) Lottery and casino revenue is not accrued, so FY 2005-06 collections will include October 2005 to September 2006.

Actual Revenue Collections for Major State Taxes*

August 2004 to July 2006



*Comparison of actual collections. Major taxes include the net income (gross collections less refunds), sales, use, tobacco (cigarette tax and other tobacco products tax), SBT, insurance retaliatory, estate, oil and gas severance, State education property, real estate transfer, and casino wagering taxes.